

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT  
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF UNITED STATES POSTAL SERVICE  
TO QUESTION 4(a)-(d) OF CHAIRMAN'S INFORMATION REQUEST NO. 5  
(November 4, 2016)**

The Postal Service hereby files its responses to the above-captioned question from Chairman's Information Request (CHIR) No. 5, issued on October 27, 2016. The response to question 4(a) is only a partial response. Each question is stated verbatim and followed by the response. Responses to the remainder of question 4(a), and to questions 3 and 4(e) and (f) are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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4. Please see attached Excel file "Special Serv. CHIR Attachment.xlsx" and refer to the Excel files submitted by the Postal Service in Notice of the United States Postal Service of Filing of Revised Version of USPS-LR-R2017-1/5 – Errata, October 17, 2016, titled "CAPCALC-SpecServ-R2017-1 Rev 10-17.xlsx," "4Q15 to 3Q16 Special Services.xlsx," "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx." The Excel file "Special Serv. CHIR Attachment.xlsx" contains calculations for Special Services and seeks clarification of cells identified below.
- a. For the following products, the price calculated by dividing quarterly revenue by quarterly transaction volume does not match the prices established in Docket No. R2015-4. See Docket No. R2015-4 Notice, MCS Attachment A, Parts I and II. Please explain why the revenues and transactions for these products do not match the published prices.<sup>2</sup>
- i. Tab F-1 "Certified Mail," row 10 "With Restricted Delivery and/or Adult Signature" in Excel file "1Q16 Special Services.xlsx."
  - ii. Tab F-5 "Money Orders," row 16 "Inquiry Fee" in Excel files "2Q16 Special Services.xlsx" and "3Q16 Special Services.xlsx."
  - iii. Tab F-6 "Registered Mail," rows 42 and 53 "Registered COD" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
  - iv. Tab F-9 "Stamped Envelopes," row 9 "Plain Stamped Envelopes Size 6 ¾" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
  - v. Tab F-9 "Stamped Envelopes," row 10 "Plain Stamped Envelopes Size 10" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
  - vi. Tab F-9 "Stamped Envelopes," row 12 "Plain Stamped Envelopes Size 6 ¾, Box of 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
  - vii. Tab F-9 "Stamped Envelopes," row 13 "Plain Stamped Envelopes Size 10, Box of 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."

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<sup>2</sup> The questions that follow reference the Excel files submitted by the Postal Service. Attached to this CHIR is the Excel file "Special Serv. CHIR Attachment.xlsx." In tab "Prices Out of Range," the questions for this subpart are visually represented.

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- viii. Tab F-9 "Stamped Envelopes," row 37 "Pressure Sensitive Adhesive, 500" plus row 42 "Pressure Sensitive Adhesive, 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- ix. Tab F-9 "Stamped Envelopes," row 38 "Windows, 500" plus row 48 "Windows, 500" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- x. Tab F-11 "USPS Tracking," row 11 "Standard Mail Electronic" in Excel file "4Q16 Special Services.xlsx" and row 8 in Excel file "1Q16 Special Services.xlsx."
- xi. Tab F-12 "Signature Confirmation," row 8 "Manual/Retail" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xii. Tab G-3 "Certificates of Mailing," row 42 "Bulk" in Excel files "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xiii. Tab H-8 "Customized Postage," row 8 "Annual Participation Fee (up to two printing facilities)" in Excel files "4Q15 Special Services.xlsx" and "2Q16 Special Services.xlsx."
- xiv. Tab K-1 "Address Management Service," row 23 "Address Element Correction (AEC) II" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xv. Tab K-1 "Address Management Service," row 84 "Computerized Delivery Sequence (CDS)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xvi. Tab K-1 "Address Management Service," row 112 "CASS (coding Accuracy Support System After July 31<sup>st</sup> (for current cycle))" in Excel files "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xvii. Tab K-1 "Address Management Service," row 121 "MASS (Multiline Accuracy Support System) MASS Manufacturers (MLOCR) After July 31<sup>st</sup> (current cycle)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."

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- xviii. Tab K-1 "Address Management Service," row 125 "MASS (Multiline Accuracy Support System) MASS End-Users (MLOCR) After July 31<sup>st</sup> (current cycle)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xix. Tab K-1 "Address Management Service," row 129 "MASS (Multiline Accuracy Support System) MASS Manufacturers (Encoder) After July 31<sup>st</sup> (current cycle)" in Excel file "3Q16 Special Services.xlsx."
- xx. Tab K-1 "Address Management Service," row 133 "MASS (Multiline Accuracy Support System) MASS End-Users (Encoder) After July 31<sup>st</sup> (current cycle)" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," "2Q16 Special Services.xlsx," and "3Q16 Special Services.xlsx."
- xxi. Tab K-1 "Address Management Service," row 166 "NCOALINK (National Change of Address) Product One Site Only" in Excel file "2Q16 Special Services.xlsx."
- xxii. Tab K-1 "Address Management Service," row 168 "NCOALINK (National Change of Address) Product Each Additional Site" in Excel file "3Q16 Special Services.xlsx."
- xxiii. Tab K-1 "Address Management Service," row 169 "NCOALINK (National Change of Address) Product ANKLink Service Option (per year) First Site" in Excel files "4Q15 Special Services.xlsx," "1Q16 Special Services.xlsx," and "2Q16 Special Services.xlsx."
- xxiv. Tab K-1 "Address Management Service," row 170 "NCOALINK (National Change of Address) Product ANKLink Service Option (per year) Each Additional Site" in Excel file "1Q16 Special Services.xlsx," and row 171 in Excel file "3Q16 Special Services.xlsx."
- xxv. Tab K-1 "Address Management Service," row 173 "NCOALINK (National Change of Address) Product One Site (Each Site for MPE)" in Excel file "1Q16 Special Services.xlsx."
- xxvi. Tab K-1 "Address Management Service," row 174 "NCOALINK (National Change of Address) Product Each Additional Site (End User Only)" in Excel file "1Q16 Special Services.xlsx."
- xxvii. Tab K-1 "Address Management Service," row 182 "99 Percent Accuracy Method" in Excel file "2Q16 Special Services.xlsx."

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- b. Please explain why the format of price structure in the billing determinants does not match the format of the price structure in the MCS for each of the following offerings. If the billing determinants and the MCS contain different information, please explain.
- i. Collect on Delivery – Bulk
  - ii. Insurance – MRS
  - iii. Insurance – Bulk
  - iv. Registered Mail – Bulk
  - v. Registered Mail – MRS
  - vi. Premium Stamped Cards
  - vii. Stamp Fulfillment Services – International
  - viii. Standard Mail Weighted Fee
  - ix. Change of Address Customer Notification
- c. Please either reconcile or provide an explanation for the difference in revenues expressed by the summation of the quarterly billing determinants and the “Price and Revenue Increase Calculations” in Excel file “CAPCALC-SpecServ-R2017-1 Rev 10-17.xlsx” for the following products below.
- i. Tab F-2 “Collect on Delivery” – cell C34 does not match cell J27.
  - ii. Tab F-3 “Insurance” – cell C74 does not match cell I69.
  - iii. Tab F-4 “PO Boxes” – cell J27 does not match cell N141.
  - iv. Tab F-6 “Registered Mail” – cell C55 does not match cell I46.
- d. Please refer to tab F-9 “Stamped Envelopes” in Excel files “4Q15 Special Services.xlsx,” “1Q16 Special Services.xlsx,” “2Q16 Special Services.xlsx,” and “3Q16 Special Services.xlsx.”<sup>3</sup>
- i. Please refer to the first three quarterly billing determinant files, containing FY 2015 quarter 4 and FY 2016 quarters 1-2. Please

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<sup>3</sup> Please also refer to tab “Stamped Envelopes Issue” in Excel file “Special Serv. CHIR Attachment.xlsx” for further visual aid.

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confirm that the volumes and revenues of Plain Stamped Envelopes Size 6 ¾ and Size 10 (rows 9 and 10) and the volumes and revenues of Plain Stamped Envelopes Size 6 ¾, Box of 500 and Size 10, Box of 500 (rows 12 and 13) are identical across all three quarters. If not confirmed, please explain.

- ii. Please confirm that the FY 2016 quarter 3 volumes in cells C9:C13 are identical to the volumes in FY 2015 quarter 4, FY 2016 quarter 1, and FY 2017 quarter 2. If not confirmed, please explain.
- iii. If the previous two questions are confirmed, please explain why there are identical volumes and revenues in three or four consecutive quarters, respectively.
- e. Please see attached Excel file "Special Serv. CHIR Attachment.xlsx," tab "NCOA Link Issue." Please confirm that the values from billing determinants tab "K-1 Address Management Services," "NCOALink (National Change of Address) Product," row 159 "Initial Interface Developer (first year fee)," and row 160 "Interface Developer (per each one year extension)" were transposed. If not confirmed, please explain.
- f. If the responses to parts a-e affect the price cap calculation, please file revised workpapers reflecting such changes.

**RESPONSE:**

- a. In some instances, the discrepancy between the average revenue per piece and the published price warranted one or more corrections to the quarterly billing determinants previously filed in this case. The amended materials will be filed as a revision to USPS-LR-R2017-1/5 when the remaining responses to Question 4 are completed.
  - i. This response is still being prepared.
  - ii. The data reported for "Money Orders," "Inquiry Fee" in Quarters 2 and 3 unintentionally included volume for no fee inquiries as well. The correct volumes are 50,527 for Quarter 2, and 48,828 for Quarter 3.

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- iii. This response is still being prepared.
- iv. For the three quarters identified, an incorrect price of \$0.10 was used to calculate the revenue for the reported volume for "Plain Stamped Envelopes Size 6  $\frac{3}{4}$ ."
- v. For the three quarters identified an incorrect price of \$0.10 was used to calculate the revenue for the reported volume for "Plain Stamped Envelopes Size 10."
- vi. The average revenue per piece does match the published price for "Plain Stamped Envelopes Size 6  $\frac{3}{4}$ , Box of 500."
- vii. The average revenue per piece does match the published price for "Plain Stamped Envelopes Size 10, Box of 500."
- viii. For each of the three quarters identified, the revenue reported in "Stamped Envelopes," row 37 is incorrect because only one-quarter of the revenue for each quarter was reported due to a calculation error. The revenues reported in row 42 are correct.
- ix. For each of the three quarters identified, the revenue reported in "Stamped Envelopes," row 38 is incorrect because only one-quarter of the revenue for each quarter was reported due to a calculation error. The revenues reported in row 48 are correct.
- x. The wrong price was used in Quarters 4 and 1. The volume reported is accurate, but the revenue was derived using a wrong price of \$0.23. The price should have been \$0.36. The Quarter 1 data will be revised and filed as supplemental data with the

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annual billing determinants as part of the Annual Compliance Review.

- xi. This response is still being prepared.
- xii. Bulk Certificates of Mailing is priced per 1,000 pieces (or fraction thereof). The volume is recorded incorrectly at times by data reporters; sometimes the number of pieces are reported rather than the number of multiples of 1,000. As a result, the volume reported for use in the workpapers is derived by dividing the revenue by the price.<sup>4</sup>
- xiii. For "Customized Postage," "Annual Participation Fee (up to two printing facilities)," a refund was issued in Quarter 2 due to a cancellation. In Quarter 4, the revenue reported reflects the price at the time of renewal, which was in May 2015, before the Docket No. R2015-4 price change was implemented. The revenue was not reported in the RPW until Quarter 4 due to reporting issues.
- xiv. Address Element Correction (AEC) II has a minimum price for up to 100 records. Frequently there are fewer than 100 records. As a result, the average price per piece is greater than the published price per piece.
- xv. The volume reported for "Address Management Service," "Computerized Delivery Sequence (CDS)" is the number of submissions for CDS, not the number of records processed.

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<sup>4</sup> See Response of the United States Postal Service to Question 4(c) of Chairman's Information Request No. 3, PRC Docket No. R2017-1 (Oct. 26, 2016).



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xvi. – xxvii. These responses are still being prepared.

b. While for certain offerings the format of the billing determinants does not match the format of the MCS, the billing determinants do present the revenue and volume data for each price point in the MCS. Aside from supporting price change calculations, the Postal Service primarily relies on the billing determinants to inform its business decisions, and the format of the billing determinants has developed to serve that purpose. In some cases this means that certain price cells in the MCS are disaggregated in the billing determinants to provide additional detail that is useful to the decision making process.

i.-v. In addition to the reason explained above, in some cases the billing determinants report an aggregated revenue figure and volume figure for a portion of a product that has multiple price points due to a lack of detail in the revenue and volume data collected by the postage statement. For example, when a mailer enters 100 mailpieces that include Collect on Delivery, the format of the postage statement does not allow the billing determinants to isolate the volume of mail sent at each individual rate cell. For this reason, aggregated revenue and volume figures are reported in the billing determinants for: Collect on Delivery – Bulk; Insurance – MRS; Insurance – Bulk; Registered Mail – Bulk; and Registered Mail – MRS.

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- vi. Premium Stamped Cards. This offering is reported as a single volume and revenue in the billing determinants and as a range of the multiple of the postage imprinted on the card in the MCS.
  - vii. Stamp Fulfillment Services (SFS) – International. The billing determinants report a single revenue and volume for orders mailed to international destinations because this offering is presented as an additional fee on top of the domestic fee. However, because SFS is priced such that the international fee is in addition to the domestic fee, there is no impact to the revenue or the cap calculation for SFS as a whole.
  - viii. Standard Mail Weighted Fee. This fee is presented as it is reported in the RPW, broken down into Regular and Nonprofit (see opening explanation to part (b), above).
  - ix. Change of Address Customer Notification. The structures of the MCS and billing determinants are consistent. Section 1515.2 of the MCS presents one price cell for Change-of-Address Customer Notification Letter Reprint, and the billing determinants present one volume and one revenue for the product.
- c. There was a price change due to the exigent rollback during Quarter 3 of FY 2016. The revenues presented on the left side of the cited tabs in “CAPCALC-SpecServ0R2017-1 Rev 10-17.xlsx” reflect the actual prices charged during the year (mostly the higher exigent prices), while the revenues shown in the “Existing” column in the “Price and Revenue

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Increase Calculations" section of those tabs reflect the current prices, after the exigent rollback.

- d.
  - i. Confirmed
  - ii. Confirmed
  - iii. Stamped Envelopes volumes for plain stamped envelopes are reported on an annual basis, and one-quarter of that volume is assumed for each of the four quarters. The volumes reported for Quarters 1 through 3 of FY 2016 are based on the FY 2015 annual volume, which is the best data currently available. When the FY 2016 data is available, the Postal Service will update the four quarters for FY 2016 using one-quarter of the FY 2016 total.
- e. This response is still being prepared.
- f. This response is still being prepared.